

NSC BRIEFING

10 February 1959

NEW SINO-SOVIET ECONOMIC AGREEMENT

- I. Under agreement signed on 7 February, USSR will assist China in construction of 78 heavy industrial enterprises.
 - A. Plants include metallurgical, chemical, coal, oil, machine building, electrical machinery, radio technical, building materials and electric power plants.
 - B. Agreement runs for 9 years.
 - C. Assistance will be worth about 5 billion rubles (\$1.25 billion at official rate) and will be paid for out of current Chinese exports.
- II. 78 plants are in addition to about 211 other major projects Moscow has agreed to help build since 1953.
 - A. Since a large part of 211 are either finished or under construction, Moscow and Peiping probably agreed China's economy about ready for new injections of Soviet help.
 - B. Method of payment for new pact apparently same as for the more than \$2 billion in equipment and assistance under earlier agreements.
 1. Under earlier agreements Moscow's share was about 25 percent of total value of enterprises.
 2. Of this share USSR granted \$430,000,000 in credits.
 3. At present, China is not only paying for all its imports but is making debt service payments on loans.
 - C. These major "aid" projects are in addition to large number of other industrial projects in China where Soviet help plays lesser but still important part, all of which is on pay-as-you go basis.

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III. Timing of announcement doubtless intended to capitalize on completion of Soviet party congress and underscore firmness of Sino-Soviet alliance.

- A. During congress both sides were at pains to underline inviolability of Sino-Soviet alliance and crudity of Western attempts to portray it as crumbling.
- B. China for its part has lately been effusive in its praise of Soviet Union as model for economic development and has sought to place its commune program in an ideological context more acceptable to Moscow.